

Message Text

LIMITED OFFICIAL USE

PAGE 01 OTTAWA 00660 190028Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 /081 W
-----190758 104142 /22

R 182237Z FEB 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 2522
INFO AMCONSUL MONTREAL
ALL OTHER AMCONSULS CANADA

LIMITED OFFICIAL USE OTTAWA 0660

E.O. 11652: N/A
TAGS: ECON, EFIN, CA
SUBJ: GOC SPENDING FORECASTS FOR FY 1977/78

REF: OTTAWA 619

BEGIN UNCLASSIED

1. SUMMARY: IN TABLING FY 77/78 MAIN ESTIMATES FOR FEDERAL EXPENDITURES IN PARLIAMENT ON FEBRUARY 16, TREASURY BOARD PRESIDENT ANDRAS CLAIMED GOC WAS COMMITTED TO RESTRAIN GROWTH OF FEDERAL OUTLAYS TO TREND IN GNP GROWTH. THUS, EXCEPT FOR JOBS CREATION SCHEME, BUDGET ESTIMATES CONTAINED NO MAJOR NEW PROGRAM, AND GROWTH IN PUBLIC SERVICE EMPLOYMENT LIMITED TO 0.6 PERCENT FOR NEXT FISCAL YEAR. PC SPOKESMEN PRAISED LIBERAL GOVERNMENT FOR EXERCISING SOME RESTRAINT BUT CLAIMED GOC HAD SHIFTED BURDEN TO PROVINCES BY CUTTING BACK ON TRANSFER PAYMENTS, WHILE NDP MP'S CRITICIZED GOVERNMENT FOR LACK OF NREW PROGRAMS. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OTTAWA 00660 190028Z

2. GOC EXPENDITURE FORECAST FOR FY 77/78, AS TABLED BY TREASURY BOARD PRESIDENT ON FEBRUARY 16. CONTAINED MAIN ESTIMATES OF C\$41,145 MILLION, RESERVES FOR SUPPLEMENTAL ESTIMATES OF C\$1,850 MILLION (LESS USUAL LAPSE IN CREDITS VOTED OF C\$575 MILLION), AND NON-BUDGETARY ESTIMATES OF C\$2,997 MILLION (LESS USUAL LAPSE OF C\$297 MILLION) FOR TOTAL FORECAST EXPENDITURES

OF C\$45,120 MILLION. THIS REPRESENTS 7 PERCENT INCREASE OVER PLANNED TOTAL OF C\$42,150 MILLION IN FY 76/77.

3. BUDGETARY MAIN ESTIMATES OF C\$41,145 SHOW INCREASE OF C\$2,728 MILLION OVER C\$38,417 IN FY 76/77, OR RISE OF 7.1 PERCENT. NET NON-BUDGETARY ESTIMATES OF C\$2,997.1 MILLION ARE FOR LOANS, INVESTMENTS OR ADVANCES, PRIMARILY TO CROWN CORPORATIONS.

4. CHIEF INCREASES IN ESTIMATES FROM FY 76/77 FOR VARIOUS DEPARTMENTS ARE: FINANCE, :\$978.4 MILLION (UP 12.7 PERCENT), WITH LARGEST INCREASE (C\$700 MILLION) IN PUBLIC DEBT CHARGES; SECRETARY OF STATE, C\$567.7 MILLION (UP 73.5 PERCENT), WITH LARGEST INCREASE (C\$528 MILLION) FOR POST SECONDARY EDUCATION; NATIONAL DEFENSE, C\$423.6 MILLION (UP 12.6 PERCENT), WITH INCREASES DUE TO INFLATION AND HIGHER CAPITAL EXPENDITURES FOR TANKS AND LONG-RANGE PATROL AIRCRAFT; AND MANPOWER AND IMMIGRATION, C\$304.3 MILLION (UP 35 PERCENT), WITH INCREASE LARGELY FOR IMPLEMENTATION OF SPECIAL EMPLOYMENT STRATEGY (C\$286.5 MILLION).

5. CHIEF DECREASES IN ESTIMATES FROM FY 76/77 BY DEPARTMENT ARE: ENERGY, MINES, AND RESOURCES, C\$577.5 MILLION, (DOWN 37.5 PERCENT) BECAUSE OF REDUCTION IN OIL IMPORT COMPENSATION PAYMENTS; UNEMPLOYMENT INSURANCE COMMISSION, C\$325.5 MILLION (DOWN 24 PERCENT) DUE TO CHANGES IN LEGISLATION; AND INDUSTRY, TRADE AND COMMERCE, C\$128.6 MILLION, BECAUSE OF REDUCTIONS IN CONSUMER LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OTTAWA 00660 190028Z

SUBSIDIES ON SALE OF WHEAT FOR DOMESTIC CONSUMPTION.

6. ACCORDING TO ANDRAS, NEW FISCAL ARRANGEMENTS WITH PROVINCES, WHILE INVOLVING TRANSFER OF TAX REVENUES FROM FEDERAL TREASURY, "REDUCE SUBSTANTIALLY" FEDERAL STATUTORY PAYMENTS TO PROVINCIAL GOVERNMENTS BY APPROXIMATELY C\$970 MILLION IN FY 77/78.

7. IMMEDIATE REACTION OF PC MP SPOKESMAN WAS TO APPROVE OF LIBERAL GOVERNMENT'S "DESIRE TO MODERATE EXPENDITURES," BUT CLAIMED SOME OF RESTRAINT WAS "ILLUSORY RATHER THAN REAL." POINTING TO C\$970 MILLION REDUCTION IN TRANSFER PAYMENTS, PC MP SAID COMPARISON BETWEEN TWO BUDGET ESTIMATES NOT CONSISTENT SINCE GOVERNMENT HAD MADE "MAJOR SHIFT OF BURDEN" TO PROVINCES AND "REAL INCREASE WOULD BE CLOSER TO 10 PERCENT" RATHER THAN 7 PERCENT AS GOVERNMENT CLAIMED. NDP MP'S ATTACKED GOVERNMENT FOR TAKING ON "OLD-FASHIONED IDEAS" OF TORIES WITH REGARD TO SPENDING

RESTRAINTS AND USED HIGH UNEMPLOYMENT FIGURES TO
CRITICIZE LIBERAL GOVERNMENT FOR FAILURE INTRODUCE
MORE JOB AND PUBLIC WORKS PROGRAMS.

BEGIN LIMITED OFFICIAL USE

9. COMMENT: THERE WERE FEW SURPRISES IN ANDRAS'
PRESENTATION OF GOC SPENDING ESTIMATES FOR NEXT
FISCAL YEAR, ALTHOUGH MOST OBSERVERS HAD EXPECTED
11 PERCENT INCREASE RATHER THAN 7. HOWEVER, THERE
IS ACCOUNTING CHANGE, WHICH ANDRAS DID NOT ACKNOWLEDGE
DIRECTLY BUT WHICH TORY MP'S QUICKLY POUNCED ON;
I.E., TRANSFER OF TAX POINTS TO PROVINCES UNDER NEW
FISCAL ARRANGEMENTS SCHEME WHICH WILL LOWER FEDERAL
REVENUES AND CUT FEDERAL DIRECT PAYMENTS TO PROVINCES.
THUS, THERE IS SOME JUSTIFICATION TO PC CLAIM THAT
FY 76/77 AND FY 77/78 ESTIMATES ARE NOT TOALLY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 OTTAWA 00660 190028Z

COMPARABLE.

10. ANDRAS' ESTIMATES REFLECT CURRENT GOC POLICY OF
FISCAL RESTRAINT AS ENUNCIATED BY FINMIN MACDONALD IN
HIS LAST BUDGET PRESENTATION AND SINCE. HOWEVER, THEY
CONSTITUTE ONLY ONE SIDE OF THE GOC FISCAL EQUATION
I.E. THE EXPENDITURES SIDE, AND IN THE CANADIAN PARLIA-
MENTARY SYTEM DO NOT INHIBIT A SHIFT IN POLICY
DIRECTION IF CIRCUMSTANCES WARRANT. MACDONALD'S SPRING
BUDGET WILL DEAL WITH THE REVENUE SIDE AND NEW PROGRAM
INITIATIVES, IF ANY. IF, AS HE HAS HINTED, MACDONALD
CONSIDERS TIME RIPE FOR MILD STIMULUS TO ECONOMY HE
COULD DO THIS WITH SUCH MEASURES AS TAX CUTS OR
BUSINESS INCENTIVES WHICH WOULD REDUCE GOC REVENUES,
OR WITH NEW PROGRAMS WHICH COULD LEAD TO HIGHER LEVEL
OF SUPPLEMENTAL ESTIMATES IN FY 77/78 THAN ANDRAS
NOW FORECASTS.
DUEMLING

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, BUDGET ESTIMATES
Control Number: n/a
Copy: SINGLE
Sent Date: 18-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OTTAWA00660
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770059-1045
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770227/aaaaaxtv.tel
Line Count: 157
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6f997cc4-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 OTTAWA 619
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3281283
Secure: OPEN
Status: NATIVE
Subject: GOC SPENDING FORECASTS FOR FY 1977/78
TAGS: ECON, EFIN, CA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/6f997cc4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009